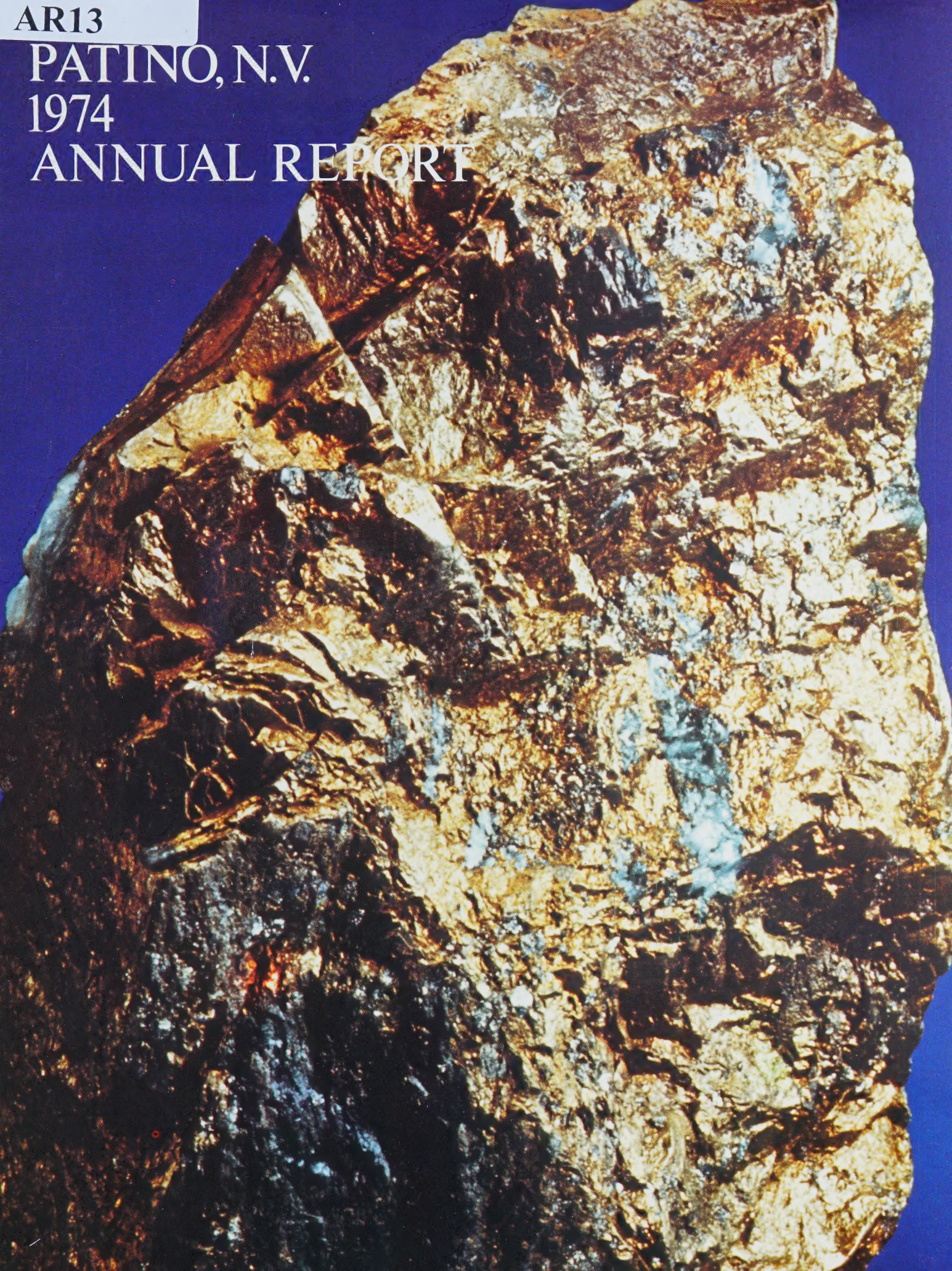


AR13

PATINO, N.V.

1974

ANNUAL REPORT





## **Patiño, N.V.**

### **Directors and Officers**

A. Patiño R., *Chairman of the Board, Director*  
P.J. Keenan, C.A., *President and Chief Executive Officer, Director*  
D. Azéma, *Director*  
M. P. Bloemsma, *Director*  
G. Gutiérrez, *Vice-President, Director*  
P. M. Haas, *Director*  
S. P. Ogryzlo, *Vice-President, Director*  
G. Ortiz P., *Director*  
J. Ortiz-Patiño, *Director*  
J. Van der Spek, *Director*  
W. A. Thompson, C.A., *Secretary - Treasurer*  
A. W. Oughtred, *Assistant Secretary*

### **Head Office**

Catsheuvel 6, 12th Floor  
The Hague, The Netherlands  
Telephone 554318  
Telex 32012

### **Bankers**

Bank of Montreal  
Bank Mees & Hope N.V.

### **Stock Exchanges**

Toronto and Montreal

### **Transfer Agents and Registrars**

Patiño, N.V., The Hague  
National Trust Company, Limited  
Toronto and Montreal

### **Auditors**

Price Waterhouse & Co.

# financial highlights

(expressed in thousands of Canadian dollars)

## For the year ended December 31

**1974**

**1973**  
restated

Income before extraordinary items <i>per share</i>	\$18,471 \$4.22	\$9,364 \$2.14
Extraordinary items <i>per share</i>	694 \$0.16	90 \$0.02
Net income <i>per share</i>	19,165 \$4.38	9,454 \$2.16
Cash flow from operations <i>per share</i>	25,623 \$5.86	14,691 \$3.36
Expenditures on plant and equipment, mine development and mining projects	12,685	7,424

## At the Year End

Working capital	\$47,191	\$36,731
Shareholders' equity, at book value	89,004	76,371

*The cover photograph is a specimen of high grade copper ore (Chalcopyrite) from Patiño Mines (Quebec) Limited*

# directors' report

1974 was, on balance, a favourable year for the Patiño Group.

Income before extraordinary items was \$18,471,000 or \$4.22 per share as against \$9,364,000 or \$2.14 per share in 1973. After extraordinary items, net income was \$19,165,000 or \$4.38 per share compared with \$9,454,000 or \$2.16 per share last year.

A dividend of 25 ¢ per share was declared on 15th January 1975 and was paid on 14th March 1975 to shareholders of record on 14th February 1975.

## **Compagnie Française d'Entreprises Minières et Métallurgiques et d'Investissements - Cofremmi**

Due mainly to the rapid escalation of construction and fuel costs, and general economic conditions, the project announced in February, 1974 could not go forward as shareholders were previously advised in the interim report released last November 28th. This project envisaged a single furnace metallurgical plant designed to produce 18,000 metric tons of nickel annually. Feasibility studies are now being re-examined to assess the economics of a larger scale project and it is expected that this work will be completed within the next few months.

In early 1975 the Company was informed that its authorization to mine nickel ore in New Caledonia would be suspended and in March this authorization was withdrawn. However this action does not affect the Company's mining concessions and titles. Discussions have taken place and active contact is being maintained with French officials.

On conclusion of the new study previously referred to, it is expected that a solution satisfactory to the French Government and the Company will be reached.

In the light of information that has just recently become available, the Board considered it to be prudent to write-off \$6.2 million in respect of investments entered into by its wholly-owned subsidiary, Cofremmi, mainly in Brazil, but also in respect of its subsidiary Granical. Of this amount \$2.2 million has been reflected in

extraordinary items (refer note 18 on page 26) and the balance of \$4.0 million reduced retained earnings in the form of goodwill adjustments (refer note 19 on page 26). As a result of these findings, extensive management changes have been made in Cofremmi which have also been reflected in the parent company.

## **Consolidated Tin Smelters Limited**

The record results of this group were highly satisfactory. The reorganization announced in June, 1973 has, in major part, been completed. Consolidated Tin Smelters' net worth has been increased 61% in the past two years – from \$20.0 million to \$32.2 million – and this group is now in a sound financial position.

## *Amalgamated Metal Corporation Limited*

This subsidiary also had a record year and profited from the very active metal merchandising markets which prevailed for most of the year. The tempo of trading slowed appreciably in the latter part of the year and although quieter markets are expected in the foreseeable future, 1975's results should be satisfactory.

## **Lemoine Mines Limited**

Construction of a 400 ton per day concentrator is progressing with start-up expected in the last quarter of 1975.

Shaft sinking to 1,000 feet should be completed by midyear. Metallurgical tests have been carried out with satisfactory results.



## **Patiño Mines (Quebec) Limited**

The results for 1974 were good. However, the outlook for the current year is less than satisfactory.

In the first part of 1974 copper prices were at high levels. Prices dropped precipitously in the second half of the year while provincial and federal taxes in Canada were retroactively raised.

A labour strike began in mid-November at the Copper Rand mines prompted by sharply higher wage demands. The strike continued into April, 1975 when it was settled. Due to the rapid escalation in costs that has taken place, it is hoped that a more realistic copper price will prevail in the near future. A more active exploration program is being pursued.

## **Rio Tinto Patiño, S.A.**

Rio Tinto Patiño had its best year so far in 1974. The copper, gold-silver mine at Cerro Colorado operated well while the Huelva smelter, sulphuric acid plant and electrolytic refinery had improved performance. A major expansion of the Huelva plant will be completed by August, 1975. The Santiago copper property is now starting up while an important kaolin (china clay) deposit has been discovered in northern Spain.

Although the profitability of Rio Tinto Patiño's mines will be affected by current low copper prices, the decrease in earnings will be offset in part by its operations at Huelva and the gold-silver operations at Cerro Colorado.

## **Management**

Due to differences on policy, R. Lévéque resigned in December as President and Chief Executive Officer of Patiño, N.V., and as Chairman and Managing Director of Cofremmi; J. Boitreaud, G. du Boisrouvray and G. Lomné have also terminated their services as Directors and/or officers of these two companies. Their resignations were regretfully accepted.

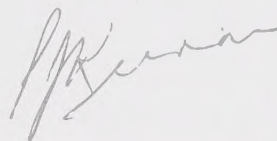
On 15th January 1975, D. Azéma, P. M. Haas, J. Ortiz-Patiño and J. Van der Spek were elected Directors of your Company. M. de Beauvau-Craon is the new President and Managing Director of Cofremmi.

P. J. Keenan was elected President and Chief Executive Officer of Patiño, N.V. effective 11th December 1974. He joined the Group in 1964 and prior to his present appointment was Vice-President and Treasurer of Patiño, N.V. He also served as Chief Executive of Consolidated Tin Smelters Limited and Amalgamated Metal Corporation Limited, the Group's two major U.K. subsidiaries, since October, 1971 and March, 1972, respectively. P. A. Neuman succeeded P. J. Keenan as Chief Executive of these two companies on 27th February 1975.

## **Conclusion**

The assets of the Patiño Group are valuable, profitable and growing. Due to depressed metal prices, the major upsurge in costs caused by inflation and the strike at the Canadian mining operations, 1975 will be a difficult year. The longer term prospects, however, remain favourable.

On behalf of the Board of Directors



President and Chief Executive Officer  
The Hague, 18th April 1975

## New Caledonia

In February, 1974 Cofremmi indicated that it planned to proceed with the construction of its proposed mining and metallurgical project in the north of New Caledonia. This plan provided that Cofremmi would own and mine the nickel deposits and Sommeni, its wholly-owned subsidiary, would construct and operate the metallurgical complex. The project envisaged a single furnace metallurgical plant to produce 18,000 metric tons of nickel annually contained in ferronickel grading 35% nickel. The interim report released on 28th November 1974 advised shareholders that this project would not proceed as a result of rapidly escalating construction and energy costs, and general economic conditions. Consideration is now being given to the construction of a two furnace plant with a somewhat greater rate of annual production. The feasibility study is to be reviewed and updated and a decision will be taken on its completion.

It is planned that a pyro-metallurgical process will be used by Sommeni. During 1974 Sommeni continued its testing of this process and its application to the New Caledonia ore which would be supplied by Cofremmi.

The proved ore reserves for the Tiebaghi and Poum deposits are :

		Dry metric tons	% Ni + Co
Tiebaghi	Garnierite ore	13,250,000	3.00
	Laterite ore	17,110,000	1.00
Poum	Garnierite ore	35,000,000	2.30
	Laterite ore	41,000,000	1.34

In early 1975 the company was informed that its authorization to mine nickel ore in New Caledonia would be suspended and in March this authorization was withdrawn. However this action does not affect the company's mining concessions and titles. Discussions have taken place and active contact is being maintained with French officials.

At a Special Meeting of Shareholders of Cofremmi held on 18th March 1975 the following Directors were elected :

D. Azéma	P. J. Keenan
M. de Beauvau-Craon	R. Michel
B. de Boïsgelin	A. Patiño R.

M. de Beauvau-Craon was elected President and Managing Director at the Directors' Meeting immediately following the Shareholders' Meeting.

It is expected that on completion of the new study previously referred to, a solution satisfactory to both the French Government and the company will be found.

## Brazil

During 1974 Cofremmi increased its holding in Companhia Estanífera do Brasil (Cesbra) to 90.8%. Cesbra operates a tin smelter at Volta Redonda with a present smelting capacity of 7,000 metric tons of cassiterite per annum. The smelter produces high-grade tin, tin as solder, and other allied products and it operated at about 80% of capacity during 1974. A program of technical improvements for the smelter is now being implemented.

Through its subsidiaries, Cesbra is actively involved in mineral exploration in Brazil. Projects include a joint program with The Hanna Mining Company on an alluvial diamond deposit and general exploration of certain concessions.





*Samples from a bore hole drilled  
through the ore deposit at Poum, New  
Caledonia*



# consolidated tin smelters limited

1974 was a year of major achievement for the Consolidated Tin Smelters Group. The reorganization announced in June, 1973 has in large part been completed and the group's growth in the past two years has greatly exceeded expectations.

## Accounts

The record profit after taxation but before extraordinary items was £3,841,000 (\$8,872,000) compared with £649,000 (\$1,499,000) in 1973 and £1,574,000 (\$3,675,000) in 1972, the previous record year. After extraordinary items, the net profit was £3,569,000 (\$8,245,000) as against £1,587,000 (\$3,666,000) last year.

Shareholders' equity in the past two years has increased 61%, from £8,577,000 (\$20,027,000) to £13,844,000 (\$32,167,000). In addition, valuation of group holdings of property and investments at 31st December 1974 exceeded the net book values by £7,423,000 (\$17,247,000) and £1,909,000 (\$4,436,000) respectively, of which £5,304,000 (\$12,324,000) represented the interests of CTS shareholders.

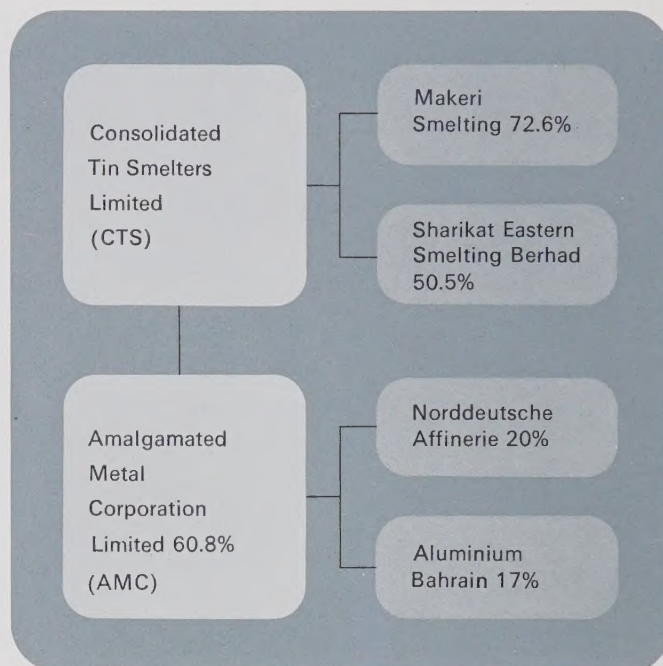
For 1974, CTS will pay dividends of 11.7 pence (27¢) per ordinary share – the previous dividend having been paid in 1970 (1.5 pence or 3.5 ¢ per share).

## Sharikat Eastern Smelting Berhad Reorganization

By means of a scheme of arrangement, a new corporate structure was adopted by Sharikat Eastern Smelting Berhad (SESB). The assets have been split into three companies:

**Datuk Keramat Holdings Berhad (DKH)**  
– A public quoted company holding the tin share investment portfolio,

**Datuk Keramat Smelting Senderian Berhad**  
– Wholly- owned by DKH and containing the smelting interests, and



## Datuk Keramat Properties Berhad

– A public company (for which quotation will be sought in due course) owning the property interests.

The object of the reorganization is to permit greater participation by Malaysian interests in this group company's affairs and to facilitate the development of its property interests including the valuable 13 acre smelter site in the centre of Penang, after construction of a new smelter at a more suitable industrial location outside the city.

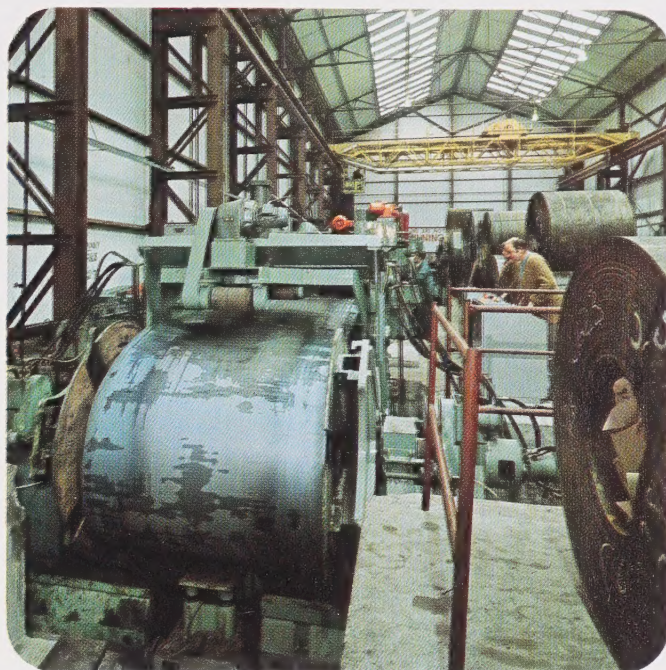
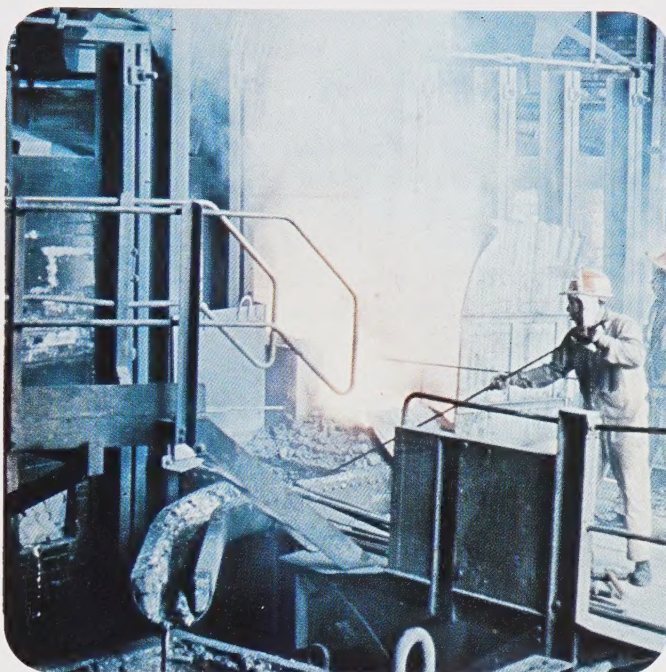
## Amalgamated Metal Corporation Limited

1974 was an exceptional year for AMC. Full advantage was taken of the strong and active markets in metals and minerals during the first half; despite lower prices in the second half, the group continued to trade profitably. Turnover more than doubled to £683 million (\$1,587 million) and trading profit after tax but before extraordinary items was £4,879,000 (\$11,336,000) against £1,892,000 (\$4,371,000) in 1973. Net profit after substantial extraordinary provisions was £3,265,000 (\$7,586,000) compared with £3,129,000 (\$7,228,000) for 1973.



*Right: De-coiling plant at Gardner Steel Limited's new works at Risca, South Wales*

*Left: Tapping a reverberatory furnace at Sharikat Eastern Smelting Berhad*



AMC maintains a network of trading offices throughout the world dealing in a wide range of metals and minerals, providing a most useful service to metal producers and consumers alike.

#### **Industrial subsidiaries**

Industrial subsidiaries in the CTS and AMC Group produced very satisfactory results in 1974 despite the numerous difficulties which beset them. Particular mention should be made of the steel service centres in Canada (Debro Industries) and the United Kingdom (Gardner Steel) which performed exceptionally well.

The liquidation of Williams, Harvey & Co. Ltd. continues and all creditors have been paid in full. During 1974 CTS received £721,000 (\$1,670,000) as part repayment of the substantial capital investment which was totally written off in 1972. Operations at Kirkby continue on a much reduced scale with work confined to the treatment of the stockpiled slags. Further material cash recoveries are expected to accrue to CTS from this source over the next few years.

#### **Management**

In February, 1975 P. A. Neuman was appointed Chief Executive of CTS and AMC to replace P. J. Keenan who relinquished these positions following his appointment as President and Chief Executive Officer of Patiño, N.V. P. A. Neuman has been with the AMC Group in Canada since July, 1973 where he very successfully headed the Debro Group.

#### **The future**

1974's record results, in part, owe something to the exceptional state of the metal markets during the year. Therefore, they will not be fully maintained in 1975. However, the CTS Group as a whole is now in a much stronger position to face the future with confidence.



# lemoine mines limited

Exploration of the Lemoine massive sulphide deposit, located 37 miles by road to the south and east of the town of Chibougamau, was completed early in 1974 to a depth of 1,000 feet. At this horizon the ore lens is continuing downward, but is somewhat narrower in average width. As previously reported the orebody occurs in rhyolitic tuffs and lavas and is about 700 feet long by 10 feet wide.

Ore reserves, after providing for 15% dilution, have been estimated as follows:

Tons	% Cu	% Zn	Ozs. Au	Ozs. Ag
625,000	4.5	10.8	0.138	2.70

Further exploratory drilling was carried out during the year to test other anomalies along strike in the favourable horizon, but nothing of interest was intersected. Additional surveys and drilling are planned to further explore the favourable horizon and to test anomalies on other parts of the property.

To permit development of the deposit, an old bush road extending east from mileage 123 on the main highway between St. Félicien and the town of Chibougamau was improved by draining, grading and resurfacing and an access road of about one mile in length was built from mile 13 on the dirt road to the proposed mine site. Also, a high voltage branch powerline was constructed a distance of 13 miles and a permanent substation was erected at the proposed mine site to supply the operations with power. As the orebody is located in the swamp, considerable fill had to be hauled in to prepare a site for construction.

Sinking of a shaft to a depth of 1,000 feet started in late 1973 and by December, 1974 it had reached a depth of 328 feet. Initial mining will be carried out at the 620 and 770-foot horizons.

Metallurgical test work completed at Lakefield research laboratories indicates that good grade copper and zinc concentrates, with acceptable recoveries of the various metals, can be produced. The test work has permitted the development of a metallurgical flow sheet for the treatment of the ore at a rate of about 400 tons per day.

Construction of the surface facilities, including head-frame, shafthouse, warehouse, changehouse, mine office and hoist and compressor building, with necessary equipment, was completed during the year. Also, permanent bunkhouses and kitchen were built for the construction and mining crews.

A used two-circuit concentrating plant was purchased and the building and equipment have been transported to the mine site. Kilborn Engineering Limited was engaged to consult on the project and to provide engineering design services. Foundations for the crushing building and equipment were poured by year end and erection of the building is in progress. Cleaning and reconditioning of the mill equipment is largely completed.

Expenditures at year end totalled \$3,230,000, of which \$470,000 was for mine development, \$265,000 for the installation of the high-voltage power line, and \$300,000 for site preparation.



# patiño mines (quebec) limited

Despite rapidly escalating costs, a shortage of experienced miners and disruptions of operations by strikes, a satisfactory net income for the year was achieved because of the record copper prices that prevailed during the first six months of 1974.

Metal production in 1974 amounted to 25,744,000 pounds of copper and 31,000 ounces of gold, compared with 29,988,000 pounds of copper and 29,000 ounces of gold in 1973. The significantly lower copper production was due in part to the lower grade of ore treated and in part to nearly two months of lost production because of work stoppages. The slightly higher gold production resulted from the higher gold content that is being encountered in the ore on the lower levels.

The labour agreement expired on 16th November 1974 at which time the hourly rated employees voted for a strike, demanding substantial wage increases and other benefits. The strike continued into April, 1975 when it was settled and mining was resumed.

Production and net income in 1975 will be seriously affected by the strike and the planned shutdown of the Copper Cliff and Jaculet mines, which at best would only be marginally profitable at present price levels.

Substantial additional taxes were legislated on the mineral resource industry by the Provincial and Federal Governments. This will have an adverse effect not only on the existing operations but also on mineral exploration in general. In the long term, this will result in lower production and a gradual increase in metal prices.

## Exploration

Exploration was concentrated in the Chibougamau area of Quebec. No mineral occurrences of interest were discovered.

## Production statistics

	1974			1973		
Copper (lbs.)	25,244,000			29,988,000		
Gold (ozs.)	31,000			29,000		
Silver (ozs.)	123,000			140,000		
	Short tons milled	% Cu	Ozs. Au	Short tons milled	% Cu	Ozs. Au
Copper Rand	443,000	1.78	0.058	524,000	1.84	0.038
Portage	254,000	1.45	0.038	306,000	1.42	0.033
Copper Cliff	132,000	1.02	0.015	130,000	1.17	0.026
Jaculet	14,000	1.49	0.023	—	—	—
Other	16,000	1.70	0.027	13,000	1.82	0.028
	859,000	1.56	0.044	973,000	1.62	0.035



*Copper Rand headframe and milling plant*



### Development and ore reserves

Ore reserves increased 1,008,000 tons during the year to 6,350,000 tons, after milling 859,000 tons. The increase resulted primarily from lower level developments in the hanging wall zone at Copper Rand. At

Portage, some new ore was developed to the east of the main zone. No significant amounts of new ore were developed at Copper Cliff, Jaculet or on the Kerr Addison-Patiño joint venture project adjacent to Copper Rand.

### Ore reserves

	December 31, 1974			December 31, 1973		
	Short tons	% Cu	Ozs. Au	Short tons	% Cu	Ozs. Au
Copper Rand (to 2,700 ft.)	4,489,000	1.87	0.046	3,793,000	1.92	0.034
Portage (to 2,550 ft.)	1,553,000	1.42	0.050	1,246,000	1.55	0.069
Copper Cliff (to 1,610 ft.)	62,000	1.00	0.025	115,000	0.97	0.025
Jaculet (to 1,200 ft.)	135,000	1.70	0.025	92,000	1.80	0.025
Kerr Addison-Patiño (to 1,170 ft.)	111,000	1.80	0.025	96,000	2.04	0.020
	6,350,000	1.74	0.046	5,342,000	1.81	0.042

Since operations began in 1960, 11,262,000 tons of ore have been milled.



# rio tinto patiño, s.a.

1974 was an excellent year for Río Tinto Patiño, S.A. (RTP) in Spain.

The Cerro Colorado open-pit mine in the southern Province of Huelva treated 2,769,000 metric tons of copper ore and 1,241,000 metric tons of gold-silver gossan ore in its plant compared with 3,010,000 and 1,208,000 metric tons respectively in 1973.

Copper output was 21,679 metric tons comprising 20,575 metric tons in concentrates, including 1,114 metric tons produced from ore treated on a toll basis for an associated company and 1,104 metric tons in cement copper.

Gold production amounted to 89,700 ozs. and silver 763,300 ozs.

At RTP's custom smelter in Huelva on the Atlantic seacoast, anode copper production rose to 93,175 metric tons of which 47,937 metric tons were from concentrates and cement copper and the balance from scrap and other secondary products. Sulphuric acid output amounted to 159,976 metric tons. With start-up in 1975 of the new flash smelter and a second acid plant, rated smelting capacity will be doubled to 84,000 metric tons and sulphuric acid production will increase substantially. The electrolytic refinery which produced 73,351 metric tons of cathode copper last year is expanding its capacity to 105,000 metric tons in 1975. Refined copper from RTP is being sold mainly in Spain, but foreign sales are increasing.

The Santiago open-pit copper deposit in the north-western Province of Galicia will commence operations in the second quarter of 1975. This wholly-owned mine will be producing at a daily rate of 4,000 metric tons and the resulting concentrates will be treated by RTP's Huelva smelter.

An active program of mineral exploration in Spain is being carried out. An important deposit of kaolin (china clay) has been discovered in northern Spain on which further investigation and study are being conducted.

*Continuous copper drawing at Secem*

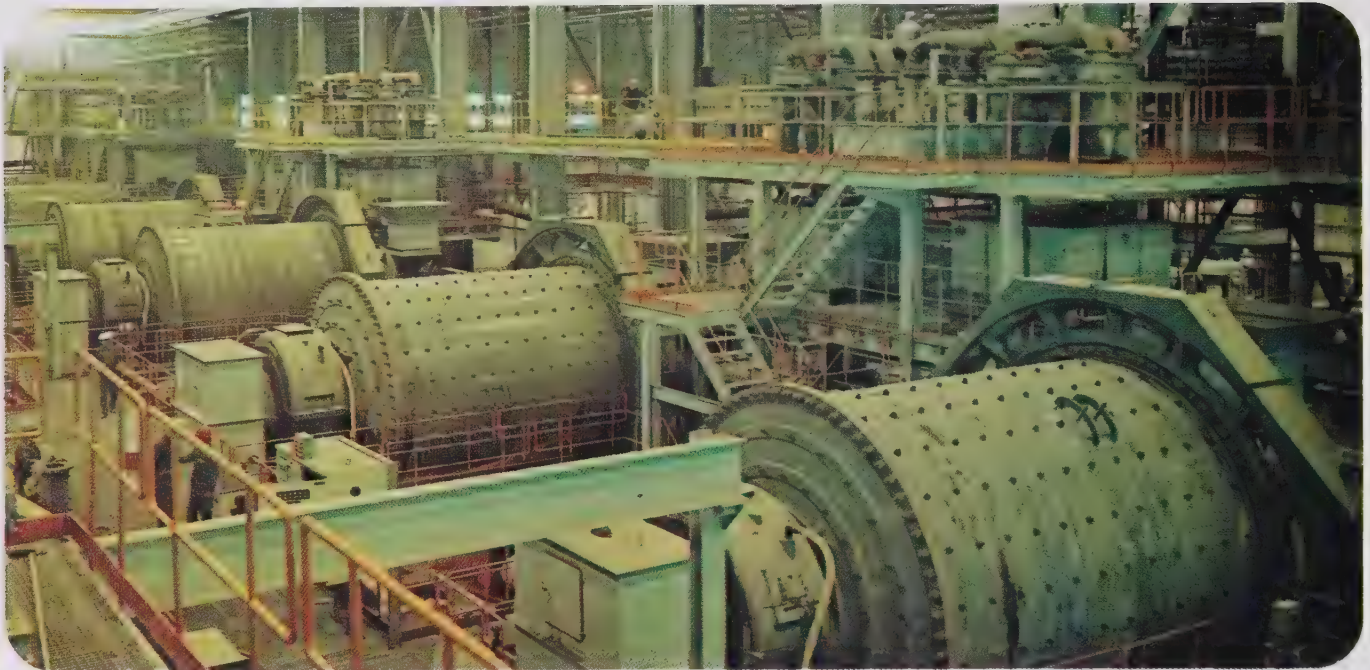


Sociedad Española de Construcciones Electro-Mecánicas, S.A. (Secem), the largest Spanish semi-fabricator, produced 82,025 metric tons of copper and brass and 4,084 metric tons of aluminium in 1974. Secem, in which RTP holds 41.65%, is also expanding its capacity significantly.

1974 consolidated results of RTP showed a net profit of Ptas 1,104 million (\$19.5 million) after deducting depreciation and amortization of Ptas 584 million (\$10.3 million), interest charges of Ptas 402 million (\$7.1 million) and income taxes of Ptas 471 million (\$8.3 million). This compares with consolidated results in 1973 of Ptas 639 million



*Grinding section in the Cerro Colorado milling plant*



(\$11.2 million) after deducting depreciation and amortization of Ptas 538 million (\$9.4 million), interest charges of Ptas 380 million (\$6.7 million) and income taxes of Ptas 262 million (\$4.6 million).

For the year 1973 RTP distributed a 5% dividend on its share capital. A 1974 interim dividend of 8% was paid in January, 1975 and a final dividend of 7% for 1974 will be approved for distribution by RTP's shareholders. The cash received by Patiño, N.V. in respect of this 15% dividend declared for 1974, but paid in 1975, should approximate \$1.25 million.

High copper and gold prices which prevailed in the first half of the year together with improving mine and smelting operations, were mainly responsible for the excellent 1974 results. It is unlikely that the 1974 profit performance will be achieved in the current year due to the sharp drop in copper prices and rising operating costs.

RTP is financing its mine and metallurgical projects through cash flow and loans raised in Spain and abroad. The original US \$25 million loan arranged and guaranteed by Patiño, N.V. had been reduced to US \$8.5 million at 31st December 1974, with a further

reduction to US \$5.75 million on 28th February 1975. RTP also decreased other debt in 1974 by Ptas 955 million (\$16.9 million) and has taken steps to arrange short term debt to meet the higher costs of capital projects and to provide for increased working capital requirements.

Ore reserves as at 31st December 1974 were :

**Cerro Colorado**

55,000,000 metric tons, 0.71% copper  
12,000,000 metric tons of gold - silver gossan  
grading 2.3 grams (0.74 ozs.)  
gold and 43.95 grams (1.413 ozs.)  
silver per ton

**Santiago**

18,000,000 metric tons, 0.69% copper.



# metal review

## Copper

Production from primary sources in 1974 increased by about 200,000 tons to 7.5 million tons. Consumption during the same period declined by about 6% or 500,000 tons to 8.3 million tons. This increase in supply and decline in consumption resulted in large stockpiles in the major consuming countries and helped swell year end London Metal Exchange warehouse stocks to over 125,000 tons from less than 10,000 tons at the start of the year.

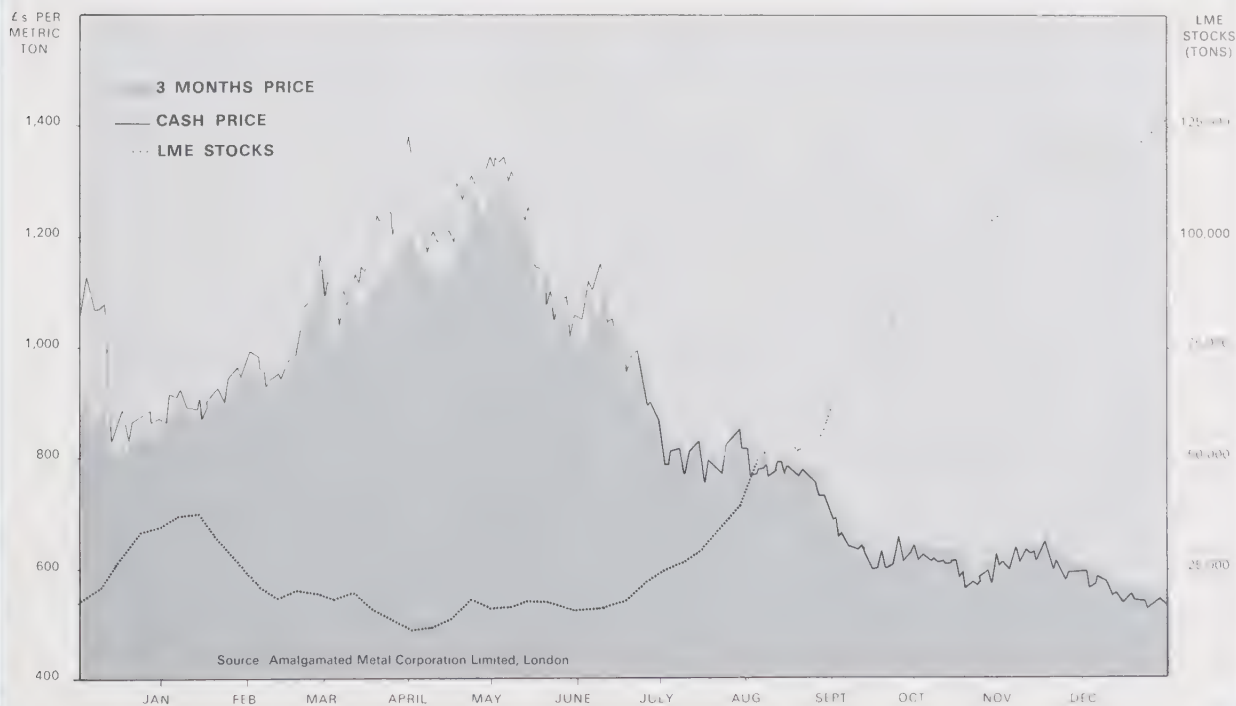
There were no major production disruptions during the year and the threatened mid-year strike by U.S. mine workers did not materialize. As a result, primary production substantially exceeded the anticipated levels.

Prices moved upward during the first quarter to £1,400 per metric ton (\$1.52 per lb.) at the beginning of April before declining steadily to £530 per metric ton (\$0.58 per lb.) by year end. At the same time,

increasing labour and energy costs resulted in sharply higher production costs. The decline in prices and consumption coupled with the increasing costs were sufficiently serious for members of CIPEC, the major copper producing countries, to agree to reduce their exports by 10% in an effort to stabilize prices and reduce the flow of metal into stockpiles.

Certain of the large North American copper producers have substantially cut production to reduce inventories and losses that were being incurred. At the present price levels, profits for many of the producers are marginal and are inadequate for plant expansions and the development of new projects. It is therefore probable that prices will move upwards as industrial activity increases towards the latter part of 1975.

The graph sets out the relationship between the LME prices and LME stocks during the year.





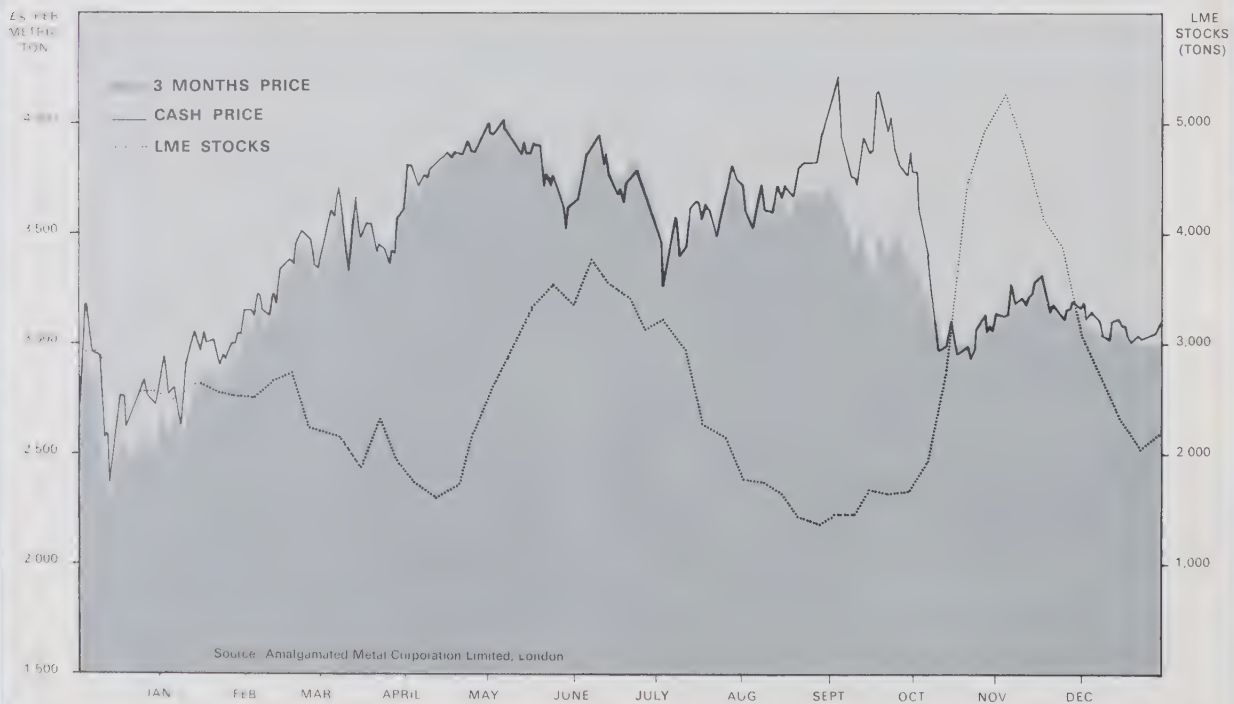
## Tin

Production of tin in concentrates in 1974 continued the 1973 trend to lower levels. In addition, the supply of smelter tin was reduced as world production of primary metal during 1974 fell by about 8,000 tons to 178,000 tons. These reductions were accompanied by an increase in consumption of about 1,000 tons to 153,000 tons.

The price of tin on the LME was unique in 1974 because it reached its peak so much later than the other metals. At the beginning of May, tin prices exceeded £4,000 per metric ton under the influence of strong consumer demand and the continued decline in LME and Buffer Stock levels. Prices declined during the early summer but then recovered, reaching a peak in early September of over £4,100 per metric ton. Towards the end of the year, the general economic decline and increasing pressure from the U.S. authorities for further G.S.A. sales led to a decline in

prices to around the £3,000 level. A continued reduction in consumption in line with a depressed economic outlook have thus far in 1975 kept the price around the year end level.

The graph highlights the LME pricing pattern for the year.





## Nickel

Free world nickel smelter production in 1974 increased by 3% to 540,000 tons. During the same period, free world nickel consumption increased from 520,000 tons to 550,000 tons. In the last months of 1974, signs of reduced economic activity began to appear and the supply-demand relationship started moving from being approximately level into a surplus position.

Increased labour and energy costs resulted in sharply higher production costs for most producers, and the price for electrolytic nickel cathodes was increased from US \$1.53 per lb. to US \$1.62 per lb. in early January, 1974 and to US \$1.85 in May/June. Falconbridge and Le Nickel increased their price unilaterally to US \$2.05 in October, but Inco only increased its price in late December to the lower figure of US \$2.01. Both Falconbridge and Le Nickel have since reduced their price to this level.

The stainless steel producers, the main consumers of nickel, were badly hit by the economic slow-down and nickel is likely to remain in surplus for most of 1975. An expensive settlement in the Canadian labour contract in July and August, 1975 and continually increasing costs may force a further price increase for nickel in Autumn 1975.







## Balance Sheet

(expressed in thousands of Canadian dollars)

	December 31 1974	December 31 1973 restated
<b>Assets</b>		
<b>Current Assets</b>		
Cash, term bank deposits	\$ 732	\$ 121
Accounts receivable	48	19
	<u>780</u>	<u>140</u>
<b>Investments and Advances</b>		
Subsidiaries	67,705	60,502
Associated companies	21,019	15,045
Securities having a quoted market value	1,684	1,980
	<u>90,408</u>	<u>77,527</u>
	<u>\$ 91,188</u>	<u>\$ 77,667</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 438	\$ 368
Income taxes payable	635	56
	<u>1,073</u>	<u>424</u>
<b>Deferred Exchange Rate Fluctuations</b>	<u>1,111</u>	<u>872</u>
	2,184	1,296
<b>Shareholders' Equity</b>		
Share Capital		
Authorized 16,000,000 shares, par value		
Dfl. 5 per share      Dfl. 80,000,000		
Issued and fully paid: 4,376,000 shares	8,665	7,726
Premium on shares issued	29,017	29,956
Retained earnings	51,322	38,689
	<u>89,004</u>	<u>76,371</u>
	<u>\$ 91,188</u>	<u>\$ 77,667</u>

See accompanying notes to financial statements

*The Group's international operations cover metals and minerals from mine to market*



# patiño, n.v. and subsidiaries

## Consolidated Balance Sheet

(expressed in thousands of Canadian dollars)

Assets	December 31 1974	December 31 1973 restated
<b>Current Assets</b>		
Cash, term bank deposits	\$ 33,979	\$ 27,603
Marketable securities	440	1,028
Accounts receivable	107,372	78,922
Inventories	95,112	54,287
	<u>236,903</u>	<u>161,840</u>
<b>Investments</b>		
Associated companies	23,676	26,489
Other securities	18,438	18,581
	<u>42,114</u>	<u>45,070</u>
<b>Fixed Assets</b>	52,486	42,122
Less : Accumulated depreciation	23,473	20,201
	<u>29,013</u>	<u>21,921</u>
<b>Other Assets</b>		
Mine development costs	53,441	46,069
Mining properties	3,113	3,264
	<u>56,554</u>	<u>49,333</u>
Less : Amortization	22,501	20,949
	<u>34,053</u>	<u>28,384</u>
Mining and other projects	864	1,334
Long term receivables	150	668
	<u>35,067</u>	<u>30,386</u>
	<u>\$ 343,097</u>	<u>\$ 259,217</u>

See accompanying notes to financial statements

<b>Liabilities</b>	<b>December 31 1974</b>	<b>December 31 1973 restated</b>
<b>Current Liabilities</b>		
Bank advances	\$ 54,078	\$ 52,269
Accounts payable and accruals	115,518	61,664
Income and mining taxes payable	18,105	9,866
Current portion of long term debt	2,011	1,310
	<u>189,712</u>	<u>125,109</u>
<b>Deferred Income and Mining Taxes</b>	5,248	4,312
<b>Deferred Exchange Rate Fluctuations</b>	3,951	3,618
<b>Long Term Debt</b>	14,749	11,441
<b>Minority Interests</b>	40,433	38,366
	<u>254,093</u>	<u>182,846</u>
<b>Shareholders' Equity</b>		
Share Capital		
Authorized 16,000,000 shares, par value		
Dfl. 5 per share <u>Dfl. 80,000,000</u>		
Issued and fully paid : 4,376,000 shares	8,665	7,726
Premium on shares issued	29,017	29,956
Retained earnings	51,322	38,689
	<u>89,004</u>	<u>76,371</u>
	<u>\$ 343,097</u>	<u>\$ 259,217</u>

See accompanying notes to financial statements



# patiño, n.v. and subsidiaries

## Consolidated Statement of Income

(expressed in thousands of Canadian dollars)

	Year ended December 31 1974	Year ended December 31 1973 restated
<b>Revenue</b>		
Net sales	\$ 1,766,095	\$ 952,579
Other income	14,958	12,491
	<u>1,781,053</u>	<u>965,070</u>
<b>Costs and Expenses</b>		
Operating costs	1,720,176	931,805
Amortization and depreciation	3,886	4,385
Interest expenses – long term	931	847
– short term	10,768	5,401
	<u>1,735,761</u>	<u>942,438</u>
Income before taxes, minority interests and extraordinary items	<u>45,292</u>	<u>22,632</u>
Provision for taxes – current	16,418	7,582
– deferred	926	453
	<u>17,344</u>	<u>8,035</u>
Income before minority interests and extraordinary items	<u>27,948</u>	<u>14,597</u>
Minority interests	9,477	5,233
Income before extraordinary items	<u>18,471</u>	<u>9,364</u>
Extraordinary items	694	90
Net income	<u>\$ 19,165</u>	<u>\$ 9,454</u>
<b>Earnings per Share</b>		
Before extraordinary items	\$ 4.22	\$ 2.14
After extraordinary items	\$ 4.38	\$ 2.16

## Consolidated Statement of Retained Earnings

(expressed in thousands of Canadian dollars)

	Year ended December 31 1974	Year ended December 31 1973 restated
Balance, beginning of year	\$ 38,689	\$ 28,152
Goodwill arising on investments in subsidiary and associated companies	(4,782)	697
Surplus on property revaluation by a subsidiary company	—	386
Net income	19,165	9,454
Dividend paid	(1,750)	—
	<u>\$ 51,322</u>	<u>\$ 38,689</u>

See accompanying notes to financial statements

# patiño, n.v. and subsidiaries

## Consolidated Statement of Changes in Financial Position (expressed in thousands of Canadian dollars)

	Year ended December 31 1974	Year ended December 31 1973 restated
<b>Funds Provided</b>		
Income before minority interests and extraordinary items	\$ 27,948	\$ 14,597
Amortization and depreciation	3,886	4,385
Deferred taxes on income	926	453
Share of net income of associated companies, net of dividends received	(7,137)	(4,744)
	<u>25,623</u>	<u>14,691</u>
Extraordinary items		
Proceeds from disposals of investments	7,309	14,883
Other extraordinary items, before minority interests	(2,780)	1,460
Increase in long term debt	5,282	350
Issue of shares	—	38
Other items	236	1,784
	<u>35,670</u>	<u>33,206</u>
<b>Funds Utilized</b>		
Mine development and mining property costs	5,195	2,991
Fixed asset additions, net	7,209	4,078
Acquisition of investments	2,980	4,320
Mining and other projects	281	355
Long term debt repayment	1,987	1,476
Acquisition of minority interests	1,867	7,433
Dividends paid – Patiño, N.V.	1,750	—
– Group minority interests	1,925	1,423
Acquisition of subsidiary	2,016	—
	<u>25,210</u>	<u>22,076</u>
Increase in working capital	10,460	11,130
Working capital, beginning of year	36,731	25,601
Working capital, end of year	<u>\$ 47,191</u>	<u>\$ 36,731</u>

See accompanying notes to financial statements



# patño, n.v. and subsidiaries

## Analysis of Increase in Working Capital

(expressed in thousands of Canadian dollars)

	Year ended December 31 1974	Year ended December 31 1973 restated
Increase (decrease) in current assets		
Cash, term bank deposits	\$ 6,376	\$ 1,358
Marketable securities	(588)	(4,536)
Accounts receivable	28,450	23,380
Inventories	40,825	13,707
	<u>75,063</u>	<u>33,909</u>
Increase in current liabilities		
Bank advances	1,809	1,572
Accounts payable and accruals	53,854	16,992
Income and mining taxes payable	8,239	4,125
Current position of long term debt	701	90
	<u>64,603</u>	<u>22,779</u>
Increase in working capital	<u>\$ 10,460</u>	<u>\$ 11,130</u>

Signed for approval of :

Balance Sheet  
Consolidated Balance Sheet  
Consolidated Statement of Income  
Consolidated Statement of Retained Earnings  
Consolidated Statement of Changes in Financial Position  
Analysis of Increase in Working Capital  
Notes to Corporate and Consolidated Financial Statements

D. Azéma  
M. P. Bloemsma  
G. Gutiérrez  
P. M. Haas  
P. J. Keenan  
S. P. Ogryzlo  
G. Ortiz P.  
J. Ortiz-Patiño  
J. Van der Spek

A. Patiño R. did not sign due to his absence

See accompanying notes to financial statements

## Notes to Corporate and Consolidated Financial Statements

### 1. Accounting policies

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in The Netherlands and include the accounts of the Company and its subsidiaries. Associated companies, being those companies in which Patiño, N.V. has directly or indirectly an equity interest of between 20% and 50% and management participation, are stated at the Company's share of their underlying net assets. The difference between the cost of the investments in subsidiary and associated companies and Patiño, N.V.'s share of underlying net assets at the time of acquisition is immediately transferred to consolidated retained earnings.

The statements are expressed in Canadian dollars. Income statement captions in other currencies are translated into Canadian dollars at the exchange rates prevailing at the end of each quarter. Assets and liabilities in other currencies are translated into Canadian dollars at year end rates of exchange.

Exchange differences relating to fixed assets, other assets, investments in associated companies, unquoted securities and long term debts are transferred to the account, deferred exchange rate fluctuations, and all other exchange differences are reflected in the consolidated statement of income under other income.

The comparative figures have been restated to conform with the currency translation policy adopted in 1974.

Marketable securities are carried at the lower of cost or market value. Inventories are stated at the lower of cost or net realizable

value; cost for certain metals is market or forward selling prices and for supplies, recent purchase cost.

Depreciation is provided on fixed assets using the straight line or reducing balance methods at varying rates calculated to write off the assets over their estimated remaining useful lives.

Amortization of mine development costs and cost of mining properties is provided for, on operating properties, on the basis of the relationship between production and ore reserves at the beginning of each year in order to accumulate a provision adequate to offset the cost of the properties and mine development at the end of the estimated economic lives of the properties.

Except in areas currently under development where production is highly probable, exploration expenditures are expensed as incurred.

The Company follows the tax allocation basis of accounting with respect to all timing differences between reported net income and taxable income.

Provision is made for dividend withholding taxes arising upon anticipated dividend distributions out of the Company's share of the undistributed earnings of subsidiary and associated companies.

The calculation of earnings per share is based on the number of shares outstanding at the end of each year. The earnings per share would not be materially diluted if all the outstanding options were to be exercised.

### 2. Effect of change in accounting policy

The change in the currency translation policy has reduced net income for the current year by \$171,000 (1973 - \$1,102,000). This also affects retained earnings as at 1st January 1973 which have been increased by \$166,000.

### 3. Marketable securities

	December 31	
	1974	1973
	(thousands)	
Cost	\$ 440	\$ 1,028
Market value	\$ 440*	\$ 1,030

Market value as at April 18, 1975 was \$582,000.

### 4. Inventories

	December 31	
	1974	1973
	(thousands)	
Metals, finished and in process	\$ 81,940	\$ 46,930
Supplies	3,089	1,749
Other	10,083	5,608
	<u>\$ 95,112</u>	<u>\$ 54,287</u>

### 5. Brazil

Included in associated companies in the consolidated financial statements is an amount of \$1,229,000 (net of a provision of \$1,500,000) relating to investments in Brazil.



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## 6. Other securities

	December 31, 1974		December 31, 1973	
	Net Book	Market	Net Book	Market
	Value	Value	Value	Value
	(thousands)		(thousands)	
Quoted, at cost	\$ 13,251	\$ 7,740 **	\$ 13,529	\$ 11,175
Unquoted, at cost less amounts written off	5,187	17,847 *	5,052	13,426
	<u>\$ 18,438</u>	<u>\$ 25,587</u>	<u>\$ 18,581</u>	<u>\$ 24,601</u>

\* Directors' valuation.

\*\* Market value as at April 18, 1975 was \$11,664,000.

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## 7. Fixed assets

	December 31, 1974		December 31, 1973	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
	(thousands)		(thousands)	
Freehold land and buildings	\$ 14,300	\$ 2 081	\$ 11,329	\$ 1,573
Leasehold land and buildings	2,275	188	1,931	130
Plant, machinery and equipment	17,877	9,780	14,028	7,561
Mine buildings and equipment	18,034	11,424	14,834	10,937
	<u>\$ 52,486</u>	<u>\$ 23,473</u>	<u>\$ 42,122</u>	<u>\$ 20,201</u>

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## 8. New Caledonia

In March, 1975 it was reported that the French Government had withdrawn the mining authorizations granted to Cofremmi to permit it to mine nickel ore in New Caledonia. Discussions have taken place and active contact is being maintained with French officials and it is expected that a solution satisfactory to both the French Government and the Company will be found.

Expenditures on the New Caledonia project to 31st December 1974 comprise fixed assets of \$1,647,000 and mine development of \$22,620,000.

Feasibility studies are now being re-examined to assess the economics of a larger scale project and it is expected that this work will be completed within the next few months.

## 9. Bank advances

Bank advances to certain subsidiaries are secured to the extent of \$18,877,000 (1973-\$31,732,000) by assets of those subsidiaries. Unused bank borrowing facilities are available for which certain investments, term bank deposits and accounts receivable have been assigned as security.

## 10. Long term debt

Long term debt represents :

(a) 77/8% serial debentures issued by a subsidiary Patiño Mines (Quebec) Limited, maturing serially in increasing amounts from \$1,540,000 in 1976 to the final payment of \$1,930,000 in 1979. The debentures are secured by a first floating charge on the subsidiary company's assets and are guaranteed by the Company.

December 31  
1974                      1973  
(thousands)

\$ 6,920                      \$ 8,340

(b) Bank loan made to a subsidiary, Cofremmi, bearing interest at 1% above French bank rate and repayable in 10 equal annual instalments commencing in 1979 is part of a total facility of \$6,934,000 granted in 1974 and is secured by the investments in Brazil.

4,879                      —

(c) Guaranteed bank loan made to a subsidiary, Amalgamated Metal Corporation Limited.

1,896                      2,253

(d) Guaranteed bank loan made to a subsidiary, Granical, bearing interest at 11% p.a. and repayable in four equal annual instalments commencing in 1976.

294                      350

(e) Other unsecured long-term loans.

760                      498

\$14,749                      \$11,441

## 11. Commitments and contingent liabilities

The Company has guaranteed bank loans of Rio Tinto Patiño, S.A. (RTP) in the amount of US \$8,500,000 (on 28th February 1975 the amount was reduced to US \$5,750,000). In addition, the Company has guaranteed RTP loans made to purchase equipment totalling \$738,000 (1973 - \$924,000).

A subsidiary company has contingent liabilities in respect of bank and plant guarantees at 31st December 1974 amounting to \$13,900,000 (1973 - \$17,000,000).

## 12. Income taxes

In 1973 a Canadian subsidiary company received notices of re-assessment involving additional taxes to the Group of \$1,400,000 for the 1969 and 1970 taxation years, to which notices of objection were filed. The principal issue related to the determination of whether income from a new mine was exempt from taxation for the three years commencing July, 1970. Although the re-assessment has not been withdrawn, the Company has received a new mine certificate and Company management and its tax consultants believe the existing provision to be adequate in the circumstances.

## 13. Shareholders' equity

	Share Capital	Share Premium
	(thousands)	
Balance, December 31, 1973 in Patiño, N.V.	\$ 7,726	\$ 29,956
Adjustment to restate the issued share capital translated at year end rates of exchange	939	(939)
Balance, December 31, 1974 in Patiño, N.V.	<u>\$ 8,665</u>	<u>\$ 29,017</u>

Options to purchase 43,000 shares at \$ 25.00 per share are exercisable up to December 31, 1978.

## 14. Net sales

	1974	1973
	(thousands)	
Merchanting in metals, ores, etc.	\$ 1,476,355	\$ 713,790
Tin smelting	138,353	154,758
Steel merchanting and fabricating	65,574	46,200
Sales of mineral production	28,731	22,347
Other activities	57,082	15,484
	<u>\$ 1,766,095</u>	<u>\$ 952,579</u>



## 15. Other income

	1974	1973
	(thousands)	
Share of net income of associated companies	\$ 7,605	\$ 4,744
Interest income	4,065	2,405
Income from investments	2,180	2,026
Gains on sales of marketable securities	304	767
Exchange gains (net)	804	2,549
	<u>\$ 14,958</u>	<u>\$ 12,491</u>

## 16. Amortization and depreciation

	1974	1973
	(thousands)	
Amortization of mine development costs and mining properties	\$ 1,486	\$ 1,980
Depreciation	2,400	2,405
	<u>\$ 3,886</u>	<u>\$ 4,385</u>

## 17. Remuneration of Directors and senior officers of Patiño, N.V.

There were ten Directors who received in 1974 total direct remuneration of \$728,000.

Directors and senior officers of the Company as defined by the Ontario Securities Act, received in 1974 total direct remuneration of \$761,000.

## 18. Extraordinary items comprise:

	1974	1973
	(thousands)	
Gains on disposals of investments	\$ 3,383	\$ 90
Provision for loss on sale of investments in an associated company-Aluminium Bahrain	(1,618)	—
Writedown of carrying value of investments in associated companies in Brazil	(1,500)	—
Proceeds from a subsidiary in liquidation	1,244	—
Provision for decline in carrying value of assets of a subsidiary, Granical	(700)	—
Loss on deconsolidation of a subsidiary	(115)	—
	<u>\$ 694</u>	<u>\$ 90</u>

Amounts are reported net of applicable taxation and minority interests.

Under an agreement dated 20th June 1974 the Company sold its interest in Lytton Minerals Limited to Hudson Bay Mining and Smelting Company and Anglo-American Corporation for a total consideration of \$8.0 million. Of this amount \$5.8 million was received during the year, giving rise to a profit of \$3.1 million which has been reflected in the 1974 results as a gain on disposals of investments. The balance of \$2.2 million, receipt of which is subject to registration of certain mining titles in Mexico, will be taken into income when received.

## 19. Goodwill arising on investments in subsidiary and associated companies

	1974	1973
	(thousands)	
Brazilian subsidiaries	\$ (3,953)	\$ —
Spanish associated companies	(1,903)	60
United Kingdom subsidiaries	1,074	637
	<u>\$ (4,782)</u>	<u>\$ 697</u>

## 20. Appropriation of profit

In accordance with article 15 of the Company's statutes, a dividend of 25 ¢ per share was paid in March, 1975. The balance of the earnings are available for distribution.

## Auditor's Report

We have examined the financial statements set out on pages 17 to 26 inclusive of Patiño, N.V.

The development of the New Caledonia mining project referred to in Note 8 is currently being reappraised by the Company. The recovery of expenditures of \$24.3 million included in the Consolidated Balance Sheet under mine development costs and fixed assets is dependent upon future events which cannot be evaluated at the present time.

Based on our examination, we are of the opinion that, subject to the recovery of the expenditures amounting to \$24.3 million referred to in the preceding paragraph, the accompanying financial statements present fairly the amount and composition of the equity of the Company for the year ended December 31, 1974 and of the results for the year then ended.

Price Waterhouse & Co.\*

The Hague,  
April 18, 1975.

\* Signatory authorized under section 42a of the Commercial Code of The Netherlands.

# five year consolidated summary

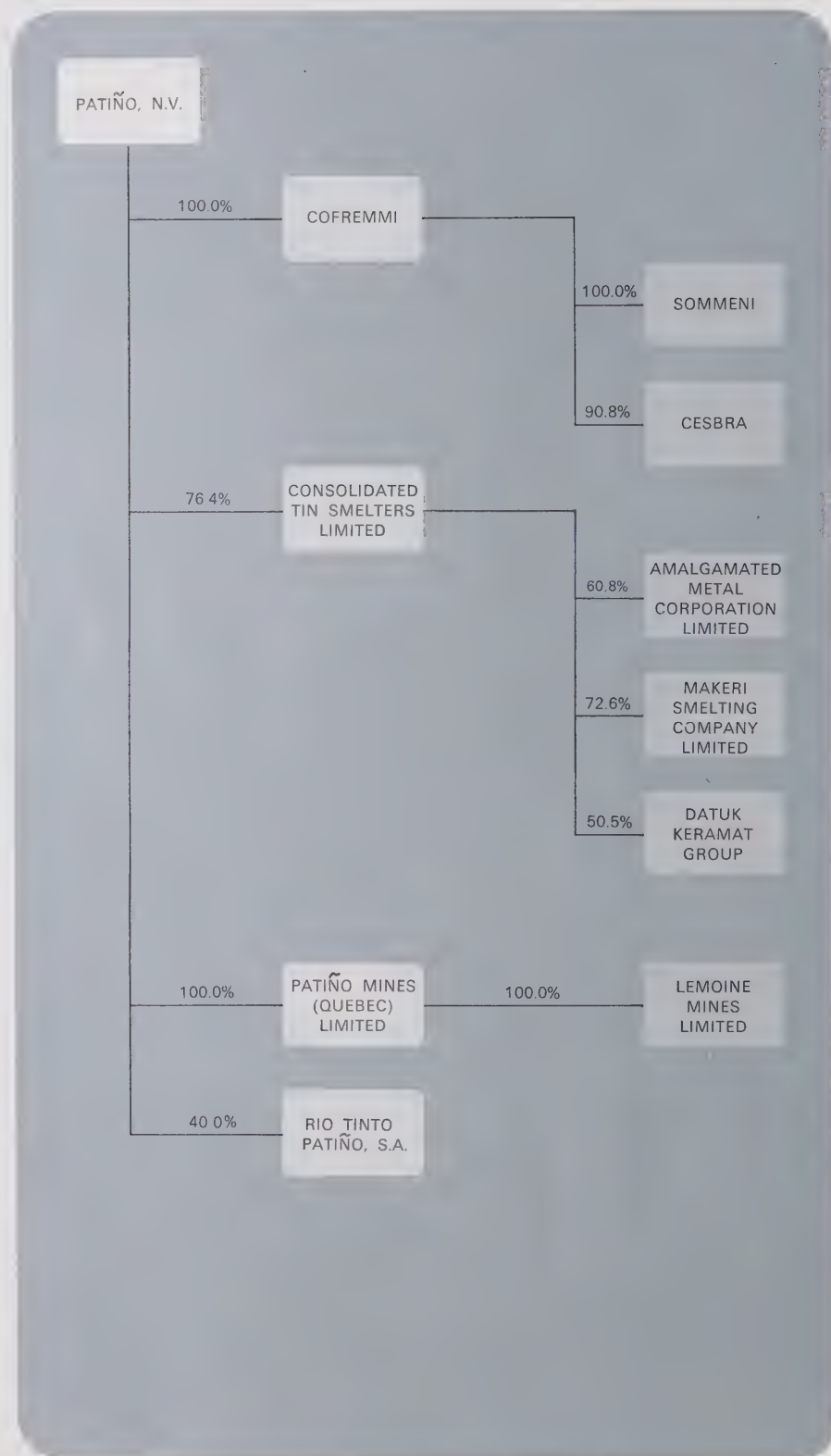
(expressed in thousands of Canadian dollars)

For the year	1974	1973 restated	1972 restated	1971 restated	1970 restated
<b>Revenue</b>					
Net sales	\$1,766,095	\$ 952,579	\$ 610,873	\$ 848,126	\$ 994,617
Other income	14,958	12,491	10,290	4,083	4,768
	1,781,053	965,070	621,163	852,209	999,385
<b>Costs and Expenses</b>					
Operating costs	1,731,875	938,053	603,765	845,615	984,408
Amortization and depreciation	3,886	4,395	4,743	5,224	4,541
Provision for taxes – current	16,418	7,532	4,460	4,531	4,771
– deferred	926	453	(393)	(304)	1,110
Minority interests	9,477	5,233	5,203	(253)	2,492
	1,762,582	955,706	617,778	854,813	997,322
Income before extraordinary items	18,471	9,364	3,385	(2,604)	2,063
per share	4.22	2.14	0.77	(0.60)	0.47
Extraordinary items	694	90	(6,357)	5,022	549
Net income (loss)	19,165	9,454	(2,972)	2,418	2,612
per share	4.38	2.16	(0.68)	0.55	0.60
Cash flow from operations	25,623	14,691	12,021	2,063	10,206
per share	5.86	3.36	2.75	0.47	2.35
Dividends paid by Patiño, N.V.	1,750	—	—	1,090	—
per share	0.40	—	—	0.25	0.40
<b>At the Year End</b>					
Working capital	47,191	36,731	25,601	26,124	30,833
Investments	42,114	45,070	50,115	47,302	42,502
Fixed assets, net	29,013	21,921	19,363	26,748	24,915
Other assets	35,067	30,386	28,100	31,084	27,718
Long term debt	14,749	11,441	12,572	10,870	5,000
Deferrals	9,199	7,930	4,179	3,918	4,107
Minority interests	40,433	38,366	40,632	48,423	50,076
Shareholders' equity at book value	\$ 89,004	\$ 76,371	\$ 65,796	\$ 68,047	\$ 66,785
per share	\$ 20.34	\$ 17.45	\$ 15.05	\$ 15.58	\$ 15.35
Shares outstanding at end of year	4,376,000	4,376,000	4,371,500	4,367,000	4,350,200

The above summary does not include any increases in the value of the Company's ore reserves, development projects or Group holdings in land and buildings.



# group structure



## Cofremmi

17 rue Dumont d'Urville  
Paris 75116, France  
Telephone 723-7254  
Telex 61098

## Consolidated Tin Smelters Limited

2, Metal Exchange Buildings  
Leadenhall Avenue  
London EC3V 1LD, England  
Telephone 626-4521  
Telex 888701

## Patiño Mines (Quebec) Limited

7 King Street East, Suite 1401  
Toronto M5C 1A6, Canada  
Telephone 366-1685  
Telex 6219601

## Rio Tinto Patiño, S.A.

Zurbano 76  
Madrid 3, Spain  
Telephone 253-8400  
Telex 22447

## **Cofremmi**

### **Directors and Officers**

M. de Beauvau-Craon, *President and Managing Director*  
D. Azéma, *Director*  
B. de Boisgelin, *Director*  
P. J. Keenan, C.A., *Director*  
R. Michel, *General Manager, Director*  
A. Patiño R., *Director*

## **Consolidated Tin Smelters Limited**

### **Directors and Officers**

A. Patiño R., *President, Director*  
E. R. E. Carter, *Chairman, Director*  
P. A. Neuman, *Chief Executive, Director*  
F. G. Charlesworth, *Director*  
P. J. Keenan, C.A., *Director*  
D. H. Mansfield, *Director*  
D. R. Mitchell, *Director*  
W. Mure, C.B.E., *Director*  
G. Ortiz P., *Director*  
J. Ortiz-Patiño, *Director*  
P. J. Norton, F.C.I.S., *Secretary*  
A. R. Williams, *Group Production Metallurgist*

## **Amalgamated Metal Corporation Limited**

### **Directors and Officers**

J. D. Robbins, O.B.E., *Chairman, Director*  
J. Ortiz-Patiño, *Deputy Chairman, Director*  
P. A. Neuman, *Chief Executive, Director*  
H. Blaise, *Director*  
A. A. Curran, *Director*  
P. Hofmeister, *Director*  
P. J. Keenan, C.A., *Director*  
A. D. Stirling, C.A., *Finance Director*  
A. M. R. Sylvester, *Director*  
P. J. Norton, F.C.I.S., *Secretary*  
M. K. James, F.C.A., *Group Controller*

## **Lemoine Mines Limited**

### **Directors and Officers**

G. Gutiérrez, *Chairman of the Board, Director*  
S. P. Ogryzlo, *President and Chief Executive Officer, Director*  
L. Y. Fortier, *Director*  
S. H. Robinson, *Director*  
C. M. Marshall, *Vice-President - Operations*  
D. H. Mather, *Secretary - Treasurer*  
F. Walkingshaw, C.A., *Controller and Assistant Secretary*

## **Patiño Mines (Quebec) Limited**

### **Directors and Officers**

G. Gutiérrez, *Chairman of the Board, Director*  
S. P. Ogryzlo, *President and Chief Executive Officer, Director*  
L. Y. Fortier, *Director*  
S. H. Robinson, *Director*  
H. E. Rudd, *Vice-President - Operations*  
D. H. Mather, *Secretary - Treasurer*  
F. Walkingshaw, C.A., *Controller and Assistant Secretary*





# PATÑO, N.V.

*Sub*

Interim Report  
6 Months Ended June 30, 1974





**Consolidated Statement of Income**  
 (expressed in Canadian dollars)  
 For the Six Months ended June 30, 1974

Audited results for year 1973		Unaudited Six months to June 30	
		1974	1973 restated
	<b>Revenue</b>		
\$952,579,000	Net sales	\$830,655,000	\$369,048,000
9,942,000	Other income	8,346,000	4,462,000
<u>962,521,000</u>		<u>839,001,000</u>	<u>373,510,000</u>
	<b>Cost and Expenses</b>		
915,040,000	Cost of sales	792,042,000	351,390,000
16,037,000	Selling, general and administrative costs	12,079,000	7,903,000
4,385,000	Amortization and depreciation	2,088,000	2,149,000
847,000	Interest expense		
5,401,000	- long term	383,000	490,000
	- short term	3,675,000	1,194,000
<u>941,710,000</u>		<u>810,267,000</u>	<u>363,126,000</u>
	Income before taxes, minority interests and extraordinary items	28,734,000	10,384,000
20,811,000	Provision for taxes		
7,714,000	- current	9,612,000	3,291,000
453,000	- deferred	307,000	17,000
<u>8,167,000</u>		<u>9,919,000</u>	<u>3,308,000</u>
	Income before minority interests and extra- ordinary items	18,815,000	7,076,000
12,644,000	Minority interests	5,422,000	2,168,000
<u>4,019,000</u>			
	Income before extraordinary items	13,393,000	4,908,000
8,625,000	Extraordinary items	3,204,000	724,000
<u>1,931,000</u>			
\$ 10,556,000	Net income	\$ 16,597,000	\$ 5,632,000
	<b>Earnings per share</b>		
\$1.97	Before extraordinary items	\$3.06	\$1.12
\$2.41	After extraordinary items	\$3.79	\$1.29



Consolidated Statement of Source and  
Application of Funds  
(expressed in Canadian dollars)  
For the Six Months ended June 30, 1974

Audited results for year 1973		Unaudited Six months to June 30 1974                      1973 restated	
Source of Funds			
	Income before minority interests and extraordinary items	\$ 18,815,000	\$ 7,076,000
\$ 12,644,000	Amortization and depreciation	2,088,000	2,149,000
4385,000	Deferred taxes on income	307,000	17,000
	Increase in share of equity of associated companies	(5,276,000)	(2,677,000)
(5,351,000)			
12,131,000		15,934,000	6,565,000
38,000	Issue of shares	—	—
	Sale of investments, net of taxes	7,190,000	6,255,000
13,791,000			
	Net surplus arising on acquisition of additional shares in subsidiary and associated companies	—	—
697,000	Other items	(203,000)	992,000
(93,000)			
26,564,000		22,921,000	13,812,000
Application of Funds			
	Mine development and mining property costs	1,590,000	7,000
1,604,000	Fixed asset additions, net	2,328,000	1,123,000
4,577,000	Acquisition of investments	1,646,000	3,613,000
1,267,000	Mining and other projects	194,000	75,000
355,000	Increase in long term receivable	1,156,000	740,000
618,000	Long term debt repayment	38,000	—
921,000	Minority interests	5,374,000	3,540,000
5,926,000			
15,268,000		12,326,000	9,098,000
11,296,000	Increase in working capital	10,595,000	4,714,000
	Working capital, beginning of year	34,478,000	23,182,000
23,182,000			
	Working capital, end of period	\$ 45,073,000	\$ 27,896,000
\$ 34,478,000			

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## Financial Review

(1973 figures restated)

Consolidated gross revenue for the six months ended June 30 amounted to \$839 million (\$373 million in 1973), the increase arising primarily in the CTS group. Income before extraordinary items and after minority interests and taxes amounted to \$13.4 million or \$3.06 per share for the first six months of 1974 compared to \$4.9 million or \$1.12 in 1973. Net income was \$16.6 million or \$3.79 per share — comparable 1973 figures being \$5.6 million or \$1.29 per share.

### Compagnie Francaise d'Entreprises Minières, Métallurgiques et d'Investissements (Cofremmi)

#### New Caledonia

Negotiations are proceeding with various partners to finalize the financing details. Cofremmi has begun an important mining test in order to define certain of the technical mining criteria. Final design work, undertaken by Sommeni is proceeding.

#### Patiño Mines (Quebec) Limited

Production during the first half of the year was :

	1974	1973
Copper — pounds	15,273,000	15,877,000
Gold — ounces	19,200	16,600
Silver — ounces	76,500	72,800
Tons milled	513,000	503,000
Average grade milled	1.54%	1.66%

In spite of increased operating costs, profits were substantially better than the corresponding period of 1973 because of improved metal prices. Operations were disrupted in July by an illegal mine strike which has been settled. Because of escalating costs and decreasing metal prices, it is unlikely that the profitability of the first six months will be maintained during the balance of the year.

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### **Lemoine Mines Limited**

Development is underway to bring this mine into production by late 1975.

Despite adverse weather conditions during the spring, construction is progressing on schedule.

No change has been made in the estimated ore reserves since December 31, 1973.

### **Rio Tinto Patiño, S.A. (RTP)**

RTP's operations are going well. Work continues on the expansion of the smelting and refining capacity as well as on placing the Santiago property in production. 1974 earnings will be higher than those of last year despite declining copper and gold prices. RTP recently paid its first dividend to Patiño, N.V.

### **Lytton Minerals Limited**

The investment in this company was sold on June 26, 1974 to Hudson Bay Mining and Smelting Company and Anglo-American Corporation for \$2.75 per share. This gave rise to an extraordinary profit of \$5.3 million of which \$3.1 million has been reflected in 1974's results. The balance will reported as income when the funds are received.

### **Consolidated Tin Smelters Limited (CTS)**

The high level of profitability reported for the first quarter by CTS and Amalgamated Metal Corporation Limited has continued during the second quarter of the year. The directors of CTS declared an interim dividend for 1974 on the ordinary stock, the last dividend having been paid in 1970.

On behalf of the Board of Directors

A handwritten signature in dark ink, appearing to be 'R. J. ...', with a large, sweeping flourish extending from the bottom right.

President and Chief Executive Officer  
The Hague, August 20, 1974



## Mines Lemoine Limitée

Les travaux de mise en valeur sont en cours destinés à placer la mine au stade de production vers la fin de 1975. En dépit de mauvaises conditions climatiques rencontrées au cours du printemps, la construction avance selon les prévisions. Aucun changement n'a été apporté aux estimations de réserves de minerai depuis le 31 décembre 1973.

## Rio Tinto Patiño, S.A. (RTP)

Les activités de RTP se déroulent de façon satisfaisante. Les travaux se poursuivent à la fois pour augmenter la capacité de traitement et d'affinage et pour porter le gisement de cuivre de Santiago au stade de la production. Les bénéfices pour 1974 seront supérieurs à ceux de l'année précédente en dépit de la baisse du prix du cuivre et de l'or. Récemment RTP a payé son premier dividende à Patiño, N.V.

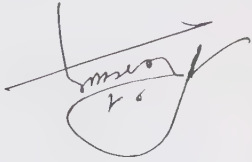
## Lytton Minerals Limited

La participation dans cette société a été vendue le 26 juin 1974 à Hudson Bay Mining and Smelting Company et Anglo American Corporation pour un montant de \$2,75 par action. Un bénéfice exceptionnel de \$5,3 million a résulté dont \$3,1 million ont été incorporés dans les résultats de 1974. Le solde sera rapporté comme un bénéfice lorsque les fonds seront reçus.

## Consolidated Tin Smelters Limited (CTS)

Le haut niveau de rentabilité enregistré au cours du premier trimestre pour CTS et Amalgamated Metal Corporation Limited s'est poursuivi au cours du second trimestre de l'année. Les administrateurs de CTS ont déclaré sur l'action ordinaire un dividende intermédiaire pour 1974, le dernier dividende avait été payé en 1970.

Au nom du conseil d'administration



Le Président-Directeur général  
La Haye, 20 août 1974.

## Resumé financier

(chiffres ajustés pour 1973)

Le produit brut consolidé pour les six mois au 30 juin s'est élevé à \$839 millions (\$373 millions en 1973).

L'accroissement émanant principalement du groupe CTS. Le bénéfice avant les éléments exceptionnels et après intérêts minoritaires et impôts s'est élevé à \$13,4 millions soit \$3,06 par action pour les premiers six mois de 1974 contre ajusté \$4,9 millions soit \$1,12 par action en 1973.

Le bénéfice net a été de \$16,6 millions soit \$3,79 par action — chiffres comparables pour 1973 étant \$5,6 millions soit \$1,29 par action.

## Compagnie Française d'Entreprises Minérales, Métallurgiques et d'Investissements (Cofremmi)

### Nouvelle-Calédonie

Les négociations se poursuivent avec différents partenaires pour mettre au point le détail du financement.  
Sur le plan technique, Cofremmi a entrepris la réalisation d'un essai minier important, ce qui doit permettre de définir certains critères d'exploitation. Sommei poursuit les études de détail de l'avant projet.

### Mines Patiño (Québec) Limitée

Production pour les premiers six mois :

1974	1973	
Cuivre — livres	15.273.000	15.877.000
Or — onces	19.200	16.600
Argent — onces	76.500	72.800
Tonnes traitées	513.000	503.000
Teneur moyenne du minerai traité	1,54%	1,66%

En dépit de l'augmentation des coûts d'exploitation, les bénéfices ont été considérablement meilleurs que ceux de la période correspondante de 1973 grâce à la hausse du prix des métaux. En juillet les activités ont été interrompues à la suite d'une grève illégale à la mine, qui a été réglée.  
En raison de l'accroissement continu des coûts et de la baisse du prix des métaux, il est invraisemblable que la rentabilité des six premiers mois puisse être maintenue pour le reste de l'année.



Etat consolidé de la provenance et de  
l'affectation des fonds  
(dollars canadiens)  
Pour les six mois se terminant le 30 juin 1974

Résultats vériés pour l'année 1973	Non-vérifiés pour les six mois jusqu'au 30 juin 1974	ajusté
<b>Provenance des fonds</b>		
\$ 12,644,000	\$ 18,815,000	\$ 7,076,000
Amortissements	4,385,000	2,088,000
Impôts sur les sociétés	453,000	307,000
différés	307,000	17,000
Augmentation de la		
participation dans le		
capital de sociétés		
associées	(5,276,000)	(2,677,000)
12,131,000	15,934,000	6,565,000
Emission d'actions	38,000	—
Vente de titres, net	13,791,000	7,190,000
d'impôts	7,190,000	6,255,000
Surplus net dégagé lors de		
l'acquisition d'actions		
d'une filiale et de		
sociétés associées	697,000	—
Divers	(93,000)	(203,000)
26,564,000	22,921,000	13,812,000
<b>Affectation des fonds</b>		
Coûts de mise en valeur		
des mines et prix de		
revient des propriétés	1,604,000	1,590,000
minières	1,590,000	7,000
Augmentation des immo-		
bilisations, net	4,577,000	2,328,000
Acquisition de titres de	1,267,000	1,646,000
participation	355,000	194,000
Projets miniers et projets	618,000	1,156,000
ances à long terme	921,000	740,000
Remboursement des	5,926,000	38,000
dettes à long terme	12,326,000	3,540,000
Intérêts minoritaires	15,268,000	9,098,000
Accroissement du fonds	11,296,000	10,595,000
de roulement	23,182,000	4,714,000
Fonds de roulement, en		
début d'exercice	34,478,000	23,182,000
Fonds de roulement, en		
fin de trimestre	\$ 34,478,000	\$ 27,896,000



Etat consolidé des résultats  
(dollars canadiens)  
Pour les six mois se terminant le 30 juin 1974

Résultats pour l'année 1973	Non-vérifiés pour les six mois jusqu'au 30 juin 1974	1973 ajusté
\$952,579,000	\$369,048,000	\$830,655,000
Ventes nettes		
9,942,000	8,346,000	4,462,000
Produits divers		
962,521,000	839,001,000	373,510,000
<b>Produits</b>		
915,040,000	792,042,000	351,390,000
Coût des ventes		
Frais de vente, frais généraux et frais administratifs	12,079,000	7,903,000
Amortissements	2,088,000	2,149,000
Intérêts sur dettes à long terme	383,000	490,000
Intérêts sur dettes à court terme	3,675,000	1,194,000
5,401,000	810,267,000	363,126,000
941,710,000		
Bénéfice avant impôts, intérêts minoritaires et éléments exceptionnels	28,734,000	10,384,000
20,811,000		
Provision pour impôts	9,612,000	3,291,000
7,714,000 - exigibles		
453,000 - différés	307,000	17,000
8,167,000	9,919,000	3,308,000
Bénéfice avant intérêts minoritaires et éléments exceptionnels	18,815,000	7,076,000
4,019,000	5,422,000	2,168,000
Intérêts minoritaires		
Bénéfice avant éléments exceptionnels	13,393,000	4,908,000
8,625,000		
Eléments exceptionnels	3,204,000	724,000
1,931,000	\$16,597,000	\$5,632,000
\$10,556,000		
<b>Bénéfice net</b>		
\$1,97	\$3,06	\$1,12
Avant éléments exceptionnels		
\$2,41	\$3,79	\$1,29
Après éléments exceptionnels		
<b>Bénéfice par action</b>		







# PATÍÑO, N.V.

Rapport intermédiaire  
6 mois, se terminant le 30 juin 1974

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